Saskatchewan Research Council Employees' Pension Plan

Annual Report 2000

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INTRODUCTION

The Saskatchewan Research Council Employees' Pension Plan (the Plan) was established in accordance with the *Income Tax Act* (Canada), and *The Pension Benefits Act, 1992* (Chapter P-6.001 of the Statutes of Saskatchewan) and the regulations thereunder.

The Plan was established for permanent employees on May 1, 1974 for the purpose of providing retirement income to Saskatchewan Research Council (the SRC) employees. Up to and including December 31, 1990, the Plan provided the greater of a defined benefit or a defined contribution entitlement for Members of the Plan. Effective January 1, 1991, the Plan was amended and restated to provide solely a defined contribution benefit to Members. The changes do not affect existing pensioners who will continue to receive benefits as granted.

OVERVIEW

The following overview of the Plan is a summary only. For more complete information, reference should be made to the Plan Agreement.

The Plan is administered by the SRC. The Pension Plan Advisory Committee (PAC) promotes awareness and understanding of the Plan, periodically reviews the results of the Plan, and advises the SRC and Plan Members with respect to matters of concern to the Members. The PAC is comprised of a maximum of five members, of which one is from the SRC's senior management and two to four are appointed by the SRC from the list of Plan Members.

All full time employees of the SRC shall join the plan on the date of employment. An employee who is employed by the SRC on a less than full time continuous basis shall join the plan on the date on which they have completed 24 months of less than full time continuous employment with the SRC provided they have received earnings of at least 35% of the Year's Maximum Pensionable Earnings (YMPE) as defined under the Canada Pension Plan, in each of the two consecutive calendar years immediately prior to joining the Plan.

The employer contributes 4.875% of the Member's Earnings up to the YMPE and 7.5% of the Member's Earnings above the YMPE, on a monthly basis. In any Plan year, a Member is not required nor permitted to make contributions to the Plan.

Defined Benefit Pensioners receive benefit increases effective April 1st of each year based on CPI increases to the extent investment earnings exceed 6% in the previous calendar year. The last increase was effective April 1, 2000. The SRC Board of Directors passed a resolution, such that in a year where indexing of pension benefits, as established under the plan, does not provide for an automatic increase, or where the automatic increase is less than the maximum permitted, the Board will review the status of the pension plan and may provide for an ad hoc increase.

Upon application and subject to lock-in provisions, termination refunds are payable when a member ceases to be employed by the SRC.

Upon retirement, a transfer is available based on the Member's accumulated balance to another pension plan, a Locked-In Retirement Account Contract, a Life Income Fund Contract, a Locked-In Retirement Income Fund Contract or to purchase a deferred life annuity contract. A member may direct all or any portion of their Plan account to one or any combination of these benefits to provide and protect their retirement income. Alternatively, a member may use their Plan account or a Locked-In Retirement Account (LIRA) as a holding account until the member needs to convert the money into retirement income. The member, however, must purchase a pension benefit from their LIRA by the end of the calendar year in which they turn 69.

In the event of the death of a Member before retirement, the sum of the amounts in the Member's account at the date of death shall be payable to the Member's Spouse, or to a beneficiary if there is no Spouse. The Member's Spouse may elect to purchase an immediate annuity with the Member's account balance, transfer the balance to a deferred life annuity, transfer the balance to the Spouse's existing registered pension plan, or transfer the balance to a Locked-In Retirement Account Contract.

INVESTMENT OF FUNDS

The SRC is responsible for holding in trust and investing the Plan assets. The PAC has retained Phillips, Hager & North Investment Management Ltd. (PH&N) as investment managers. As at December 31, 2000 the defined benefit plan is limited to being invested in PH&N's Balanced Pension Trust fund and the defined contribution plan is limited to being invested in the Balanced Pension Trust fund, and in PH&N's Canadian Money Market fund.

The investment managers make the day to day decisions of whether to buy or sell specific investments in order to meet the long-term objectives of the Plan, set by the PAC. The PAC reviews the investment performance of the Plan in terms of the performance of the benchmark portfolio over five year rolling periods. The long-term investment performance objective for the entire portfolio is to outperform a benchmark portfolio over a five-year period, before management fees. The benchmark return is defined as:

- 37.5% of the return on the TSE300 Total Return Index, plus
- 10.0% of the return on the Standard & Poor's 500 Index, plus
- 10.0% of the return on EAFE, plus
- 37.5% of the return on the ScotiaMcLeod Universe Bond Index, plus
- 5.0% of the return on 90-day T-Bills,

Additionally, consideration will be given to the administrative fees that are assessed by a review of comparison funds to ensure that relative administration charges are being made.

The following table compares the fund's annualized gross rate of return to the investment objective return (the return of the benchmark portfolio) as of December 31, 2000.

Period ending December 31, 2000	Benchmark Return	Annualized Gross Return
One year return	5.2%	11.4%
Three year return	9.4%	10.1%
Five year return	12.0%	12.7%

The investment manager is to invest the Plan assets under their control in a diversified portfolio of qualified investments as defined by the *Income Tax Act* (Canada) within the following range of investment discretion:

	% of Portfolio at Market Value	
Type of Investment	Minimum	Maximum
Canadian Equities	32.5%	42.5%
International Equities	15.0%	25.0%
Bonds	32.5%	42.5%
Cash Equivalents	0.0%	15.0%

Note: The 25% of portfolio at market value invested in foreign equities is not to be confused with the Canadian Customs and Revenue Agency's maximum allowable limit of 25% of portfolio value at cost invested in foreign equities.

MEMBERSHIP STATUS

Membership as at December 31, 1999		205
Add:		
Enrollments during the year		19
Less:		
Termination of membership in the plan	27	
Retirement	2	
Deaths	0	
Total exits		29
Membership as at December 31, 2000		195

ADMINISTRATION OF THE PLAN

The SRC provides day to day administration of the pension plan. The annual operating expenditures associated with the Plan's administration are originally paid by the SRC and charged to the Plan on a quarterly basis.

INVESTMENT SUMMARY

The investment portfolio at December 31, 2000 contained the following assets:

Type of Investment	Percentage of Total Portfolio
Canadian Equities	39.3%
International Equities	21.2%
Bonds	37.0%
Cash Equivalents	2.5%
Total Investments:	100.0%

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THE SASKATCHEWAN RESEARCH COUNCIL
EMPLOYEES' PENSION PLAN

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2000

AUDITOR'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

I have audited the statement of net assets available for benefits of The Saskatchewan Research Council Employees' Pension Plan as at December 31, 2000 and the statement of changes in net assets available for benefits for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 2000 and the changes in net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
February 16, 2001

Fred Wendel, CMA, CA
Acting Provincial Auditor

THE SASKATCHEWAN RESEARCH COUNCIL EMPLOYEES' PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
As At December 31

	2000	1999
ASSETS		
Investments:		
Balanced Mutual Fund	$ 25,114,706	$ 23,828,725
Cash	80	40
	$ 25,114,786	$ 23,828,765
LIABILITIES		
Accounts payable (Note 3)	109,741	3,967
Net assets available for benefits (Statement 2)	$ 25,005,045	$ 23,824,798

(See accompanying notes to the financial statements)

THE SASKATCHEWAN RESEARCH COUNCIL EMPLOYEES' PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Year Ended December 31

	2000	1999
Increase in assets:		
Increase in net asset value of investments and cash	$ 2,230,581	$ 2,211,782
Contributions - employer	475,324	478,827
Total increase in assets	2,705,905	2,690,609
Decrease in assets:		
Refund upon termination and retirement benefits -Defined Contribution Plan	1,047,275	106,064
Retirement benefits - Defined Benefit Plan	418,919	312,889
Contribution holiday - employer	-	478,827
Administration	59,464	73,022
Total decrease in assets	1,525,658	970,802
Increase in net assets	1,180,247	1,719,807
Net assets available for benefits, beginning of year	23,824,798	22,104,991
Net assets available for benefits, end of year - to Statement 1	$ 25,005,045	$ 23,824,798

(See accompanying notes to the financial statements)

THE SASKATCHEWAN RESEARCH COUNCIL EMPLOYEES' PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2000

1. Description of the Plan

The following description of the Plan is a summary only. For more complete information, reference should be made to the Plan Agreement. The Plan is administered by The Saskatchewan Research Council (SRC). The Pension Plan Advisory Committee (PAC) promotes awareness and understanding of the Plan, periodically reviews the results of the Plan, and advises the SRC and Plan Members with respect to matters of concern to the Members. The PAC is comprised of a maximum of five members, of which one is from the SRC's senior management and two to four are appointed by the SRC from the list of Plan Members.

(a) General

The Saskatchewan Research Council Employees' Pension Plan was established May 1, 1974 for the purpose of providing retirement income to the SRC's employees. Up to and including December 31, 1990, the Plan provided the greater of a defined benefit or a defined contribution entitlement for Members of the Plan. Effective January 1, 1991, the Plan was amended and restated to provide solely a defined contribution benefit to Members. The changes do not affect existing pensioners who will continue to receive benefits as granted.

(b) Funding Policy

The employer contributes 4.875% of the Member's Earnings up to the Year's Maximum Pensionable Earnings (YMPE) and 7.5% of the Member's Earnings above the YMPE, as defined under the Canada Pension Plan, on a monthly basis.

(c) Retirement

Upon retirement, a transfer is available based on the Member's accumulated balance to another pension plan, a Locked-In Retirement Account Contract, a Life Income Fund Contract, a Locked-In Retirement Income Fund Contract or to purchase a deferred life annuity contract.

(d) Termination Refunds

Upon application and subject to lock-in provisions, termination refunds are payable when a member ceases to be employed by the SRC.

1. Description of the Plan (continued)

(e) Defined Benefit Pensioners

Pensioners receive benefit increases effective April 1st of each year based on CPI increases to the extent investment earnings exceed 6% in the previous calendar year. The last increase was effective April 1, 2000.

The SRC Board of Directors passed a resolution, such that in a year where indexing of pension benefits, as established under the plan, does not provide for an automatic increase, or where the automatic increase is less than the maximum permitted, the Board will review the status of the pension plan and may provide for an ad hoc increase.

2. Summary of Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following principles are considered to be significant:

Basis of Accounting

These financial statements are prepared using the accrual basis of accounting.

Investments

The investment is comprised of units in a balanced mutual fund managed by a professional investment manager. The balanced mutual fund has no fixed interest rate, and its returns are based on the performance of the fund.

Additional units are acquired when distributions are made by the funds. Cash dividends are not paid by the funds; however, investors can realize changes in the underlying unit values by redeeming units.

Units in the mutual funds are recorded in the accounts at their net asset value per unit. Net asset value per unit is the market value of the investments in the particular fund's portfolio divided by the total number of outstanding units in that fund. The adjustment necessary to record units at their net asset value at the year end is shown as an increase or decrease in net assets available for benefits.

3. Accounts Payable

The balance is due to SRC and is comprised of payments made on behalf of the pension fund. The majority of the balance at year end relates to the lump sum payment made to pensioners for the special ad hoc increase (see Note 4), which was paid late in the year.

4. Net Assets Available for Benefits and Pension Obligations

The investment objectives of the Plan are to ensure the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. The strategy employed to achieve these objectives is to invest cash flows from contributions into assets such as pooled funds.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets.

Credit risk arises from the potential for an issuer to default on its contractual obligations to the Plan. The Plan limits credit risk by dealing with issuers that are considered to be high quality.

The pension obligation is long term in nature. The Plan has no intention of settling its pension obligation in the near term and there is no market for settling pension obligations. Therefore, determination of the fair value of the pension liability is not practicable.

	2000	1999
Net assets available for benefits (Statement 1)	$ 25,005,045	$ 23,824,798
Less: Defined contribution balances	21,158,587	19,928,220
Defined benefit obligations	3,174,000	3,304,000
Surplus	$ 672,458	$ 592,578

The present value of the defined benefit obligation was determined using the projected benefit method prorated on service and the administrator's best estimate assumptions. Watson Wyatt Canada (formerly KPMG Consulting LP) performed an actuarial valuation as of January 1, 2001. For the January 1, 2000 and 2001 valuations the UP94 mortality table, projected to 2014 (i.e. projection for 20 years), was used. The actuarial present value of accrued benefits as at January 1, 2001 and the principal component of changes in the actuarial present values during the year for pensioners who retired before 1991 are as follows:

	2000	1999
Beginning of year	$ 3,304,000	$ 2,814,000
Interest on accrued benefits	198,000	169,000
Benefits paid	(419,000)	(313,000)
Adustment for miscellaneous gains/losses	13,000	(79,000)
Change in assumptions	-	137,000
Adjustments (Note 1(e))	78,000	53,000
Pending special ad hoc increase	-	523,000
End of year	$ 3,174,000	$ 3,304,000

4. Net Assets Available for Benefits and Pension Obligations (continued)

The 1999 liability for the pending special ad-hoc increases represented the additional liability with respect to Amendment No. 3. The additional pensions represented by this liability required regulatory approval, and while the SRC had already received approval from the Saskatchewan Superintendent of Pensions, the ad hoc increase had been delayed pending approval from the Canada Customs and Revenue Agency (CCRA). Approval was received during 2000, and the increase commenced, retroactive to April 1, 1999, during the year.

Investment earnings in excess of 6% will be applied to provide increases to all defined benefit pensioners in receipt of benefits, which are paid from the pension fund. Therefore, the significant long-term assumption used in determining the actuarial value of accrued pension benefits was:

Interest rate 6%

Upon termination of the Plan, any balance of the Pension Fund remaining, after discharging all liabilities, shall belong to the SRC. The balance may be distributed in a manner to be determined by the SRC, at its sole discretion, after receiving prior approval in accordance with *The Pension Benefits Act, 1992*, the *Income Tax Act (Canada)* and the regulations thereunder.

5. Employer Contribution Holiday

Canada Customs and Revenue Agency in its monitoring of the *Income Tax Act (Canada)* allows a certain amount of surplus to be retained in the Plan. During 1999, on the advice of its' actuary, and in consultation with the Saskatchewan Superintendent of Pensions, SRC was taking an employer contribution holiday. This had the effect of transferring money in a surplus account for the defined benefit plan over to the defined contribution portion of the plan. The contribution holiday was ceased effective December 31, 1999, in accordance with the application to the Saskatchewan Superintendent of Pensions.

6. Investment Performance

The investment manager makes day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives set by the PAC. The PAC reviews the investment performance of the plan in terms of the performance of the benchmark portfolio over 5 year rolling periods. The long term investment performance objective for the entire portfolio is to outperform a benchmark portfolio. Results for the year ended December 31, 2000 compared to benchmark are as follows:

Period ending December 31, 2000	Benchmark Return	Annualized Gross Return
One year return	5.2%	11.4%
Three year return	9.4%	10.1%
Five year return	12.0%	12.7%

7. Related Party Transactions

The Saskatchewan Research Council provides general administrative services without charge.

8. Administration

The administration costs shown on Statement 2 are paid out of the surplus as provided for in the Plan text:

	2000	1999
Canada Trust	$ 35,281	$ 36,185
Other payees	24,183	36,837
Total administrative expenses	$ 59,464	$ 73,022